

A Guide to CalPERS

# Partial Service Retirement





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## INTRODUCTION

Partial service retirement is a benefit available to full-time State Miscellaneous, State Industrial, and public agency members (if your employer contracts for this benefit) who meet the normal retirement age and service requirements.

With partial service retirement, you can reduce your work time, continue working, and receive a “partial” service retirement allowance.

## HOW IT WORKS

If you are eligible, you may reduce your work time by at least 20 percent, but not more than 60 percent. In other words, you must work at least 40 percent of full time, but not more than 80 percent. Your agency must approve your request to reduce your work time for partial retirement.

Your allowance is based on the reduction of your work time. For example, if you reduce your work time by 30 percent (working 70 percent of full time), your allowance would be 30 percent of what you would receive if you took a full service retirement.

Once your partial service retirement begins, you may decrease your already-reduced work time once each fiscal year. You may increase your work time only once every five years.

With your employer’s approval, you may end your partial service retirement at any time and return to full-time employment. Once you withdraw, you cannot reapply for five years.

*While reading this material, remember that we are governed by the California Public Employees’ Retirement Law. The statements in this booklet are general. The Retirement Law is complex and subject to change. If there is a conflict between the law and this booklet, any decisions will be based on the law and not this booklet.*

## ELIGIBILITY REQUIREMENTS

You are eligible for partial service retirement if you are a full-time State Miscellaneous, State Industrial, or public agency member (if the employer contracts for this benefit), if you have reached the normal retirement age, have sufficient service credit to be vested, and your age and years of service total at least 65. The normal retirement age requirement is effective January 1, 2007.

Generally, the normal retirement age is the age stated in the formula. For instance, for First Tier – 2% at 55, the normal retirement age is 55. For Second Tier – 1.25% at 65, the normal retirement age is 65. Therefore, with your employer's approval, you may participate in partial service retirement if:

- You are a State First Tier member, at least age 55, with 10 or more years of State service
- You are a State Second Tier member, at least age 65, with 10 or more years of State service
- You are a public agency member whose agency contracts with CalPERS for this benefit, you have reached the age stated in your formula, and you have at least 10 years of CalPERS service. You may refer to your membership booklet or contact your Human Resources Department to determine your benefit formula.

(University of California and California State University employees are not eligible for partial service retirement.)

## HOW TO APPLY

Your Human Resources Department has the necessary Partial Service Retirement Application form (DPA-062). This form is also available on the Department of Personnel Administration's Web site [www.dpa.ca.gov](http://www.dpa.ca.gov). To ensure timely processing, submit your completed application to CalPERS at least 60 days before the effective date of partial retirement. The effective date must be the same date of your work time reduction and can be the first day of any pay period.

Remember, you must receive employer approval before you can apply.

**Note:** When corresponding with CalPERS be sure to include your Social Security and daytime telephone numbers on all written inquiries and documents.

<sup>1 & 2</sup> The age requirements became effective January 1, 2007.

## ESTIMATING YOUR ALLOWANCE

The easiest way to estimate your partial service retirement allowance is to use the Retirement Planning Calculator at [www.calpers.ca.gov](http://www.calpers.ca.gov) to determine your full service retirement benefit. Then, multiply your partial retirement percentage times the Unmodified Allowance.

To manually estimate your partial service retirement allowance, you will need to know your years of service credit, benefit factor, and final compensation. Examples and space to estimate your allowance are on page 5.

### Service Credit

This is the amount of CalPERS-covered service you have earned. Refer to your latest CalPERS Annual Member Statement and add any service credit you have earned since that time.

### Benefit Factor

Your benefit factor is the percentage of pay you are entitled to receive for each year of service. It is determined by your age at partial service retirement. Refer to your Member Benefit Booklet for your benefit factor table. This booklet is available through your employer, any CalPERS office, or at [www.calpers.ca.gov](http://www.calpers.ca.gov).

### Final Compensation

This is your average monthly pay rate for a one-year or consecutive three-year period of employment (whichever your agency has contracted for). You may elect a different one-year or consecutive three-year period if it produces a higher average monthly pay rate. If your CalPERS State First Tier or public agency service was coordinated with Social Security, you must reduce your final compensation by \$133.33 when computing your allowance. (You did not pay contributions on the first \$133.33 of your earnings.)

If your CalPERS State First Tier or public agency service was not coordinated with Social Security, or you are a State Second Tier member, do not reduce your final compensation.

## ALLOWANCE ESTIMATES

We have used the following information for our examples:

Age at partial service retirement	= 55
Years of service credit	= 25
Final compensation	= \$3,000
Reduction of work time	= 40%

### Example I: State First Tier and Public Agency Members Coordinated with Social Security

25	x	2.000%	=	50%	x	\$2,866.67	=	\$1,433.34	x	40%	=	\$573.34
Service Credit		Benefit Factor				Final Compensation		Full Service Retirement Allowance		Work Time Reduction		Partial Retirement Allowance

### Example II: State First Tier and Public Agency Members Not Coordinated with Social Security

25	x	2.000%	=	50%	x	\$3,000	=	\$1,500	x	40%	=	\$600
Service Credit		Benefit Factor				Final Compensation		Full Service Retirement Allowance		Work Time Reduction		Partial Retirement Allowance

### Example III: State Second Tier Members

25	x	.750%	=	18.75%	x	\$3,000	=	\$562.50	x	40%	=	\$225
Service Credit		Benefit Factor				Final Compensation		Full Service Retirement Allowance		Work Time Reduction		Partial Retirement Allowance

### Estimate Your Case

	x		=		x		=		x		=	
Service Credit		Benefit Factor				Final Compensation		Full Service Retirement Allowance		Work Time Reduction		Partial Retirement Allowance

\* Remember, if your service was coordinated with Social Security, you must reduce your final compensation by \$133.33 when computing your allowance.

## OTHER CONSIDERATIONS

### Allowance Adjustments

Your partial service retirement allowance will be based on your age, salary, and service at the date of your initial entry into the program. A salary increase after entering the program will not change your partial service retirement allowance. If you increase or decrease your work time, your new allowance will be based on the original allowance calculation. There are no provisions for cost-of-living increases for partial service retirement allowances.

### Changing Jobs

You may transfer from one agency to another and continue your partial service retirement, with employer approval, as long as you remain a State Miscellaneous, State Industrial, or contracting public agency member.

### Separating from Employment

If you permanently separate from State or public agency employment, you cannot continue your partial service retirement. You may, however, apply for a full service retirement (see your CalPERS Member Benefit Booklet), terminate your CalPERS membership and receive a refund of your contributions plus interest, or leave your contributions on deposit with CalPERS and apply for retirement or a refund at some time in the future.

### Full Service Retirement

You may apply for full service retirement at any time by submitting the retirement application in the *Stepping into Retirement... A Guide to Completing Your CalPERS Service Retirement Election Application*. However, it is to your advantage to earn at least one year of service credit under partial retirement before doing so. Your full service retirement will be based mainly on the initial partial service retirement calculation if you have earned less than one year of service credit under partial service retirement.

Visit the CalPERS On-Line Web site at [www.calpers.ca.gov](http://www.calpers.ca.gov) to calculate your own full service retirement estimate online. You may also initiate a CalPERS-generated estimate on our Web site by downloading the *Retirement Allowance Estimate Request* form to complete and mail to us, or use your User ID and Password to submit your request electronically. The form can also be mailed to you by calling toll-free **888 CalPERS** (or 888-225-7377).

**Note:** Since your work time under partial service retirement is less than full time, it will take more than one fiscal year to earn one year of CalPERS service credit.



Percent of Partial Retirement	Required months to earn one year of service credit
20	13
25	14
30	15
40	17
50	20
60	25

## Important Tax Information

Partial service retirement allowance is taxable income and must be reported to the tax authorities annually. A partial retiree remains in active member status. Distributions received by active members prior to age 59½ from a qualified retirement plan such as CalPERS are considered “early” distributions under Section 72(t) of the Internal Revenue Code (IRC). Early distributions from a qualified retirement plan are subject to an additional 10% federal tax and 2½ % California state tax on the taxable portion of the distribution, PLUS any income tax due on the distribution.

Only federal and California state taxes can be deducted from your partial service retirement allowance. You may elect not to have tax withholding. However, if we do not receive a signed withholding election, CalPERS is required to withhold taxes based on the tax tables for a married person with 3 exemptions. California residents who do not file a tax withholding election will have an additional 2% withheld for state taxes when early distributions apply. For individuals who reside outside of California, no California state tax will be withheld unless specifically requested.

You will receive an annual Form 1099R that reports the gross amount of partial service retirement allowance you have received and the amount of federal and/or California state tax deductions for each tax year in which you participate. The Form 1099R filed by CalPERS will report your partial service retirement allowance as an early distribution until you attain age 59½ as of December 31 of the tax year being reported.

While CalPERS can provide you with information on some tax laws that relate to your partial retirement, you should request additional information regarding the taxability of your partial service retirement allowance from the Internal Revenue Service (IRS), California Franchise Tax Board, or your tax advisor. You may contact IRS by calling toll-free, (800) 829-1040, or by visiting their web site at [www.irs.ustreas.gov](http://www.irs.ustreas.gov). If you have California state tax questions, please contact the California Franchise Tax Board at (800) 852-5711 or by visiting their web site at [www.ftb.ca.gov](http://www.ftb.ca.gov).

## Mailing of Warrants

Currently, partial service retirement payments are processed manually. A warrant is mailed to you on or shortly after the first of each month. There is no provision for Direct Deposit (electronic fund transfer) of these payments. They can be mailed to your financial institution for deposit into your account; however, the only available space for the checking/savings account number is in the mailing address. Since the information is visible in the window of the envelope, this is not recommended.

CalPERS is working on a Pension System Resumption Plan. It is scheduled for completion in approximately 2010. When this project is completed, partial service retirement payments will be fully automated and Direct Deposit will be an available option.

## Payroll Deductions

Any payroll deductions you have (health and life insurance premiums, union dues, credit union payments, deferred compensation, etc.) must be taken from your salary. If you have any questions regarding payroll deductions, contact your Human Resources Department.

## Health, Dental, and Long-Term Care Coverage

Your health, dental, and long-term care (if enrolled) coverage are not affected by partial service retirement. Remember, though, that any premium payments will be deducted from your salary and not from your partial retirement allowance.

## Social Security

You may draw Social Security benefits while receiving your partial service retirement allowance; however, your earnings — salary and partial retirement allowance combined — may cause an offset to your Social Security benefits. Contact your local Social Security office for information.

## Injury, Illness, Or Leaves of Absence

If you are unable to perform your job because of an injury or illness, you may be eligible for disability retirement. For more information see the *Guide to Completing Your Disability Retirement Election Application*.

If your injury or illness requires that you take a leave of absence or go on Non-Industrial Disability Leave, you can continue your partial service retirement with your employer's consent. You may also remain in the program if you require other types of leave. Contact your Human Resources Department for information.

## Provisions for Beneficiaries

There is no provision under partial service retirement to provide benefits to someone after your death. All death benefits payable will be paid in the same manner as active member pre-retirement death benefits. See your CalPERS Member Benefit Booklet for more information.

## BECOME A MORE INFORMED MEMBER

### CalPERS On-Line

Visit our Web site at [www.calpers.ca.gov](http://www.calpers.ca.gov) for information on all our benefits and programs and to use our online services, including access to your personalized CalPERS information.

### Reaching Us By Phone

**888 CalPERS** (or 888-225-7377) (toll free)

Monday thru Friday, 8:00 a.m. to 5:00 p.m.

TTY for speech & hearing impaired: (916) 795-3240

### Seminars & Workshops

Our **Financial Planning Seminars** help you learn about your CalPERS benefits and the importance of financial planning.

Our **Retirement Planning Workshops** review your CalPERS benefits.

Our **Financial Planning Seminars for Retirees** help you keep your financial plan on track after you've retired.

### How to Register for Seminars & Workshops

The easiest way to register is by going to CalPERS On-Line. In the Member Information section of the Web site, look for the "Seminars, Workshops & Events" link on the left side navigation bar. You can also register by calling our Customer Contact Center at the number shown above.

## **Visit Your Nearest CalPERS Regional Office**

**Visit the CalPERS Web site for directions to your local office.**  
Monday to Friday, 8:00 a.m. to 5:00 p.m.

### **Fresno Regional Office**

10 River Park Place East, Suite 230  
Fresno, CA 93720

### **Glendale Regional Office**

Glendale Plaza  
655 North Central Avenue, Suite 1400  
Glendale, CA 91203

### **Orange Regional Office**

500 North State College Boulevard, Suite 750  
Orange, CA 92868

### **Sacramento Regional Office**

Lincoln Plaza East  
400 Q Street, Room E1820  
Sacramento, CA 95814

### **San Bernardino Regional Office**

650 East Hospitality Lane, Suite 330  
San Bernardino, CA 92408

### **San Diego Regional Office**

7676 Hazard Center Drive, Suite 350  
San Diego, CA 92108

### **San Francisco Regional Office**

301 Howard Street, Suite 2020  
San Francisco, CA 94105

### **San Jose Regional Office**

181 Metro Drive, Suite 520  
San Jose, CA 95110

## INFORMATION PRACTICES STATEMENT

The Information Practices Act of 1977 and the Federal Privacy Act require the California Public Employees' Retirement System to provide the following information to individuals who are asked to supply information. The information requested is collected pursuant to the Government Code (Sections 20000, et seq.) and will be used for administration of the CalPERS Board's duties under the California Public Employees' Retirement Law, the Social Security Act, and the Public Employees' Medical and Hospital Care Act, as the case may be. Submission of the requested information is mandatory. Failure to supply the information may result in the System being unable to perform its function regarding your status and eligibility for benefits. Portions of this information may be transferred to State and public agency employers, State Attorney General, Office of the State Controller, t Data Center, Franchise Tax Board, Internal Revenue Service, Workers' Compensation Appeals Board, State Compensation Insurance Fund, County District Attorneys, Social Security Administration, beneficiaries of deceased members, physicians, insurance carriers, and various vendors who prepare the microfiche or microfilm for CalPERS. Disclosure to the aforementioned entities is done in strict accordance with current statutes regarding confidentiality.

You have the right to review your membership file maintained by the System. For questions concerning your rights under the Information Practices Act of 1977, please contact the Information Coordinator, CalPERS, 400 Q Street, P.O. Box 942702, Sacramento, CA 94229-2702.





**California Public Employees' Retirement System**

400 Q Street  
Sacramento, California 95814

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[www.calpers.ca.gov](http://www.calpers.ca.gov)

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